

## Instructions For Idaho Form 55

Idaho Form 55 is used by individuals, corporations, partnerships, estates or trusts that have earned the Idaho credit for qualifying new employees. Each member of a unitary combined group that files a group return must complete a separate Form 55 to compute its earned credit.

A partnership, S corporation, estate or trust must prepare and distribute to each owner or beneficiary a schedule that shows his proportionate share of any pass through of the Idaho credit for qualifying new employees as well as any other applicable credits. A copy of this schedule and the federal Schedule K-1 that is furnished to each owner or beneficiary must be attached to the Idaho partnership, S corporation, fiduciary income tax return. Each partner, shareholder, member or beneficiary must attach a copy of this schedule to his individual Idaho income tax return.

The maximum credit available is \$500 for each qualifying new employee. "New employee" means a person who is subject to Idaho income tax withholding, employed by the taxpayer in a revenue-producing enterprise, and covered for unemployment purposes under Idaho Code. A person shall be considered employed by the taxpayer in a revenue-producing enterprise if the person is employed by the taxpayer on a full-time basis or on a part-time basis if the person works at least 20 hours per week.

No credit will be earned unless the new employee has worked for the taxpayer for a minimum of nine months during the tax year for which the credit is claimed.

Idaho unemployment reports will be the basis for computing the number of employees. However, only employees meeting the definition of "new employee" can be included in the computation of the credit for qualifying new employees. Records must be maintained to support the computation.

The number of qualifying new employees is the excess of the average number of qualifying employees during the tax year over the greater of the average number of qualifying employees during the three preceding tax years or the average number of qualifying employees during the preceding tax year. The number of qualifying new employees must be rounded to the nearest tenth (1/10).

The credit may not exceed 3.25% of the net income of the revenue-producing enterprise. A "revenue-producing enterprise" means an Idaho business that begins with a natural resource and produces, assembles, fabricates, manufactures, or processes a value-added product.

Operations involving wholesale or retail sales, professional, managerial, repairs or services generally do not qualify. Idaho businesses that consume a natural resource in a process, but do not add value to the natural resource do not qualify.

### PART I - CREDIT AVAILABLE SUBJECT TO LIMITATION

**Lines 1 and 3.** Determine the average number of qualifying employees during the tax year by adding the number of qualifying employees reported for each month on your Idaho unemployment reports and dividing that sum by the number of months of operation during the year.

**Line 2.** Determine the average number of qualifying employees during the three preceding tax years by dividing the total of the average number of qualifying employees reported for each preceding year by 3.

**Line 4.** No credit is allowed unless the number on this line equals or exceeds one (1). If it is greater than one (1), the

number is rounded to the nearest one-tenth (1/10).

**Line 6.** The credit is limited to 3.25% of the net income of the qualifying business in which the new employment occurred. If one business is engaged in two activities, one that qualifies as a "revenue-producing enterprise" and one that does not, and at least 50% of the taxpayer's total Idaho employees are performing personal services in the revenue-producing enterprise, the taxpayer may treat the entire Idaho business as a revenue-producing enterprise. Enter the amount of net income from the proprietorship, farm, partnership, fiduciary or corporation income tax return that is from Idaho activities.

If one business is engaged in two activities, one that qualifies as a "revenue-producing enterprise" and one that does not, and less than 50% of the taxpayer's total Idaho employees are performing services in the revenue-producing enterprise, the taxpayer must calculate qualifying employees and the net income limitation based on that portion of the Idaho business that qualifies as a revenue-producing enterprise. The amount of net income for the portion of the business that qualifies as a revenue-producing enterprise is calculated by dividing the number of employees in the revenue-producing enterprise by the total number of employees in the entire business. Multiply the net income from the proprietorship, farm, partnership, fiduciary or corporation income tax return that is from Idaho activities by this percentage. Enter the result on line 6.

**Line 8.** The earned credit is the smaller of line 5 or line 7.

**Line 9.** Enter the pass-through share of credit from S corporation, partnership or fiduciary return.

**Line 11.** For S corporations, partnerships, estates or trusts, enter the credit passing through to the shareholders, partners, members or beneficiaries. Idaho tax credits must pass through to the shareholders, partners, members or beneficiaries in the same manner and to the extent that income or loss passes through.

### PART II - CREDIT LIMITATIONS

Any taxpayer earning the Idaho credit for qualifying new employees must complete Part II to determine the limitation on the credit for qualifying new employees and all other nonrefundable credits. The limitation is 45% of the income tax after credit for taxes paid to other states.

Idaho Code Section 63-3029H provides that credits must be claimed in the following order:

1. Credit for taxes paid to other states (individuals, estates or trusts),
2. Credit for contributions to Idaho educational institutions,
3. Idaho investment tax credit,
4. Credit for contributions to Idaho youth facilities, rehabilitation facilities and nonprofit substance abuse centers,
5. Credit for equipment using post-consumer waste or post-industrial waste,
6. Natural resources conservation credit,
7. Promoter-sponsored event credit.

These credits must be applied to the tax before the credit for qualifying new employees. Refer to instructions for the appropriate income tax return to compute the credits.

If a taxpayer claims both an Idaho investment tax credit and an Idaho credit for qualifying new employees, the 45% limitation applies to the Idaho investment tax credit as well.

**Line 1.** Enter the amount of income tax liability from the appropriate income tax return. The income tax liability is the computed tax before adding the Permanent Building Fund Tax or any other taxes or subtracting any credits.

**Line 2.** Enter the amount of credit for taxes paid to other states. This credit is only available to individuals, estates and trusts.

**Line 5.** Enter the amount of credit for contributions to educational entities from the appropriate Idaho income tax return.

**Line 6a.** This is the amount of credit for contributions to educational entities you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 6b.** If line 5 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Enter the amount from line 4 and enter this amount on the appropriate line of your Idaho income tax return. This is your allowable credit for contributions to educational entities. Do not complete the rest of this form.

**Line 7.** Enter the amount of your investment tax credit from Form 49, Part I, line 8.

**Line 9a.** This is the amount of investment tax credit you may claim on your Idaho income tax return. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 9b.** If line 8 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 6 from line 4. This is the amount of investment tax credit you may claim on your Idaho income tax return. Enter this amount on the appropriate line of your Idaho income tax return. The unclaimed portion of your investment tax credit may be eligible for carry forward to next year. Do not complete the rest of this form.

**Line 11.** Enter the amount of your credit for contributions to youth and rehabilitation facilities and nonprofit substance abuse centers from the appropriate Idaho income tax return.

**Line 13a.** This is the amount of credit for contributions to youth rehabilitation facilities and nonprofit substance abuse centers you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 13 b.** If line 12 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 10 from line 4. This is the amount of credit for contributions to youth and rehabilitation facilities and nonprofit substance abuse centers you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

**Line 15.** Enter the amount of your credit for production equipment using post-consumer waste from the appropriate Idaho income tax return.

**Line 17a.** This is the amount of credit for production equipment using post-consumer waste you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 17b.** If line 16 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 14 from line 4. This is the amount of credit for production equipment using post-consumer waste you may claim. Enter this amount on the appropriate line of your Idaho income tax return. The unclaimed portion of this credit may be eligible for carry forward to next year. Do not complete the rest of this form.

**Line 19.** Enter the amount of your natural resources conservation credit from the appropriate Idaho income tax return.

**Line 21a.** This is the amount of natural resources conservation credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 21b.** If line 20 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 18 from line 4. This is the amount of natural resources conservation credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

**Line 23.** Enter the amount of your promoter-sponsored event credit from the appropriate Idaho income tax return.

**Line 25a.** This is the amount of promoter-sponsored event credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 25b.** If line 24 is equal to or larger than line 4, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 22 from line 4. This is the amount of promoter-sponsored event credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

**Line 27.** Enter the amount of your earned credit for qualifying new employees from Part I, line 12.

**Line 29a.** This is the amount of credit for qualifying new employees you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

**Line 29b.** Subtract line 26 from line 4. This is the amount of credit for qualifying new employees you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

The earned but unused Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.